

**Page Denied**

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**Subject: RD77 - T.O.F, Request for Increased Funds**

1. This Contractor has reviewed the costs incurred to date on the Subject Task Order and has made a forecast as to the total cost of conducting the program set forth under the present task. We find that we have under-estimated our costs to complete this program in the amount of \$4,778 and request that the Contracting Officer review this proposal for approval of additional costs.

2. As can be noted on the enclosed breakdown, this Contractor has seriously under-estimated the costs of materials entering into the end items. This under-estimate has been occasioned primarily by the use of a photographic reproducing process and the cost of purchasing suitable film for use on this job. If a printing process had been used as originally planned, the cost of the materials would have been reduced considerably. The decision to use a photographic process was influenced by guidance received from your technical people.

3. In addition to this item, we find that our Engineering Overhead Rate and our General & Administrative Expense Rate have been increased considerably. Our cognizant auditors, Army Audit Agency, Los Angeles Branch Office, have audited our books and have approved the following rates for the six months ending 30 November 1957:

Engineering Burden	144.972 %
General & Administrative Expense	20.861 %
Manufacturing Burden	74.528 %

These rates were audited during the past several weeks and have not been officially forwarded as of this date, however, they have been approved in accordance with a telephone conversation with the Army Audit Agency. Schedules of these Overhead Rates are included herewith, and a copy has also been hand-delivered to your auditors.

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4. TEP Serial No. 8482 contains a request for increasing the scope of this program and is an increase in costs in addition to those requested by this letter.

5. It is requested that your office review our proposal and issue a contract supplement providing for an increase in funds.

Sincerely,

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Vice President

RHA:cb

Enclosures

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	<u>Estimate for 25 units (large size)</u>	<u>Estimate for 10 units (small size)</u>	<u>Estimate for extras</u>	<u>Total estimated cost per bid</u>	<u>Total estimated cost to complete</u>	<u>Additional funds req'd to complete</u>
Materials	\$ 250	\$ 100	\$ 75	\$ 425	\$ 3,130	\$ 2,705
Shop Labor	1,030	150	363	1,543	1,903	360
Shop Overhead	814	118	287	1,219	1,418	199
Engineering Labor	1,250	600	205	2,055	2,195	140
Engineering Overhead	887	426	145	1,458	3,182	1,724
Photo Reproduction	3,335	3,000	1,025	7,360	7,280	(80)
Consultant and Artist	1,050	450	3,550	5,050	1,680	(3,370)
Trim, touch up, etc.	500	250	215	965	1,920	955
Handbooks	420	166		586	586	
Travel and per diem			550	550	488	(62)
Tel. and Tel.			50	50	50	
	9,536	5,260	6,465	21,261	23,832	2,571
G&A Expense	<u>1,240</u>	<u>684</u>	<u>841</u>	<u>2,765</u>	<u>4,972</u>	<u>2,207</u>
	\$ 10,776	\$ 5,944	\$ 7,306	\$ 24,026	\$ 28,804	\$ 4,778

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